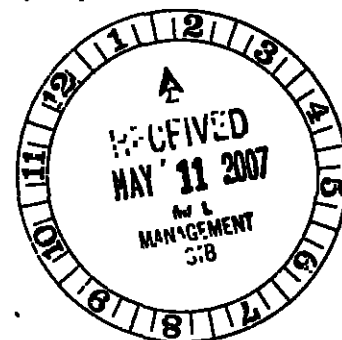


CHARLES H MONTANGE
ATTORNEY AT LAW
426 NW 162ND STREET
SEATTLE, WASHINGTON 98177
(206) 546-1936
FAX (206) 546-3739

219295



9 May 2007

Hon. Vernon Williams
Secretary
Surface Transportation Board
395 E Street SW
Washington, D.C. 20024

FILED
MAY 11 2007
SURFACE
TRANSPORTATION BOARD

Re: Washington & Idaho Railway, Inc. --
Operation Exemption -- Washington
State Department of Transportation,
Finance Docket 35028

Dear Mr. Secretary:

Enclosed for filing please find a notice of exemption pursuant to 49 C.F.R. §§ 1150.31, et seq., for operation of a rail line owned by the Washington State Department of Transportation (WSDOT). This filing is on behalf of Washington & Idaho Railway, Inc. A check for the filing fee (\$1600) is enclosed. This operation exemption is related to an acquisition exemption proceeding which ~~has been~~ or shortly will be filed by the WSDOT in Finance Docket 35024.

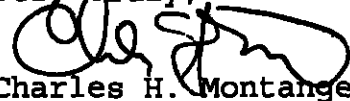
Thank you for your assistance in this matter.

FEE RECEIVED

MAY 11 2007

**SURFACE
TRANSPORTATION BOARD**

Very truly,


Charles H. Montange
for Washington & Idaho
Railway, Inc.

ENTERED
Office of Proceedings

MAY 14 2007

Part of
Public Record

Encls.

cc. Mark Lyon, AAG, OAG
7141 Cleanwater Drive
Tumwater, WA 98501-6503

Stan Patterson, pres., WIR
329 Mill Road
Lewiston, ID 83501

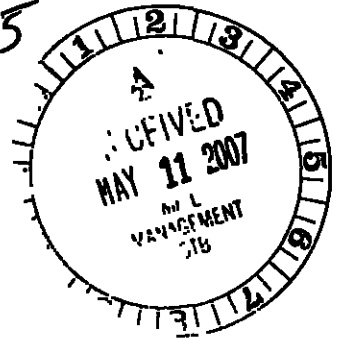
(w/encls.)

219295

BEFORE THE SURFACE TRANSPORTATION BOARD

Washington & Idaho Railway, Inc.
-- operation exemption--
Washington State Department of Transportation

Finance Docket No. 35028



Washington & Idaho Railway, Inc. (WIR) hereby gives notice, pursuant to 49 C.F.R. § 1150.31, et seq, of a notice of exemption to engage in the following transaction:

to operate, and to provide all common carrier freight railroad services, pursuant to a lease or other operating agreement over the following lines of railroad, known as the P&L Branch, which are being acquired by Washington State Department of Transportation (WSDOT) from Palouse River and Coulee City Railroad, Inc., pursuant to a Notice of Exemption filed by WSDOT in Finance Docket 35024:

(i) The WIM line located between Milepost 0.0, at Palouse, and Milepost 3.85, at the Washington-Idaho state line; and

(ii) the P&L line located between Milepost 1.0, at Marshall, to Milepost 75.9 at Pullman and also continuing to Milepost 84.05, at the Washington-Idaho state line.

The lines are located in Whitman and Spokane Counties, WA. WIR currently operates over these lines as a contract carrier for Palouse River & Coulee City Railroad, Inc.

(a) Full name and address of applicant: Washington & Idaho Railway, Inc., 329 Mill Road, Lewiston, Idaho 83501, Att:

Stan Patterson (president), telephone 208-746-9479.

(b) Representative of applicant who should receive correspondence: Charles H. Montange, 426 NW 162d St., Seattle, WA 98177.

(c) Statement concerning status of agreement: WSDOT has selected WIR to operate the P&L Branch, effective June 1, 2007, if possible, or the earliest possible date after June 1, 2007, authorized by this Board. The lease or operating agreement is expected to resemble closely the terms specified in the request for proposals to which the WIR bid was responsive. It is WIR's understanding that BNSF Railway has terminated the existing interchange agreement for the P&L Branch effective upon WSDOT's acquisition of the property. WIR is negotiating a replacement interchange agreement. If WIR is unable to negotiate an acceptable interchange agreement, WIR will not consummate a transaction pursuant to this notice of exemption.

(d) Operator: Washington & Idaho Railway, Inc. (WIR).

(e) Summary.

(1) Name and address of railroad leasing or otherwise transferring the subject operating rights: Washington State Department of Transportation, P.O. Box 47300, Olympia, WA 98504-7300.

(2) The proposed time schedule for consummation of the transaction: WSDOT requests that WIR consummate this transaction on June 1, 2007, if authorized by this Board. WIR has agreed to do so, subject to negotiation of an acceptable

interchange agreement with BNSF Railway. If an acceptable interchange agreement cannot be negotiated with BNSF, WIR will not consummate this transaction.

(3) Mileposts of the subject property:

WIR would acquire operating rights over the P&L Branch described as follows:

(i) The WIM line located between Milepost 0.0, at Palouse, and Milepost 3.85, at the Washington-Idaho state line; and

(ii) the P&L line located between Milepost 1.0, at Marshall, to Milepost 75.9 at Pullman, continuing to Milepost 84.05, at the Washington-Idaho state line.

Total route miles: approximately 86.9.

(f) Map. See Exhibit A.

(g) Certificate that applicant's projected revenues do not exceed those that would qualify it as a Class III carrier. See Exhibit B.

Compliance with 49 C.F.R. § 1150.34 (caption summary). See Exhibit C.

Compliance with 49 C.F.R. § 1150.32(e). Inasmuch as expected revenue is projected to be substantially under \$5 million, no further compliance with the notice requirements of § 1150.32(e) is required.

Compliance with 49 C.F.R. § 1150.32(d) (requirement that applicant preserve intact all sites and structures more than 50 years old). WIR will preserve intact all sites and structures more than 50 years old.

Environmental matters. The WIR acquisition will not result in significant changes in carrier operations. There will not be a diversion of:

- (1) more than 1000 carloads a year to motor carriage; or
- (2) an average of 50 carloads per mile per year for any part of this line to motor carriage.

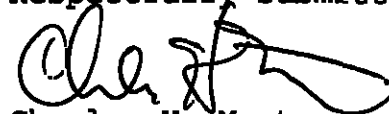
This transaction will not result in:

- (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line;
- (2) an increase of rail yard activity of at least 100 percent; or
- (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles per day.

WIR's acquisition will not affect a Class I or nonattainment area under the Clean Air Act. The thresholds of 49 C.F.R. § 1105.7(3)(5)(ii) will not be exceeded. The transportation of ozone depleting materials is not contemplated. Under 49 C.F.R. § 1105.6(c)(2), further environmental documentation is not required.

Verification. See Exhibit D.

Respectfully submitted,



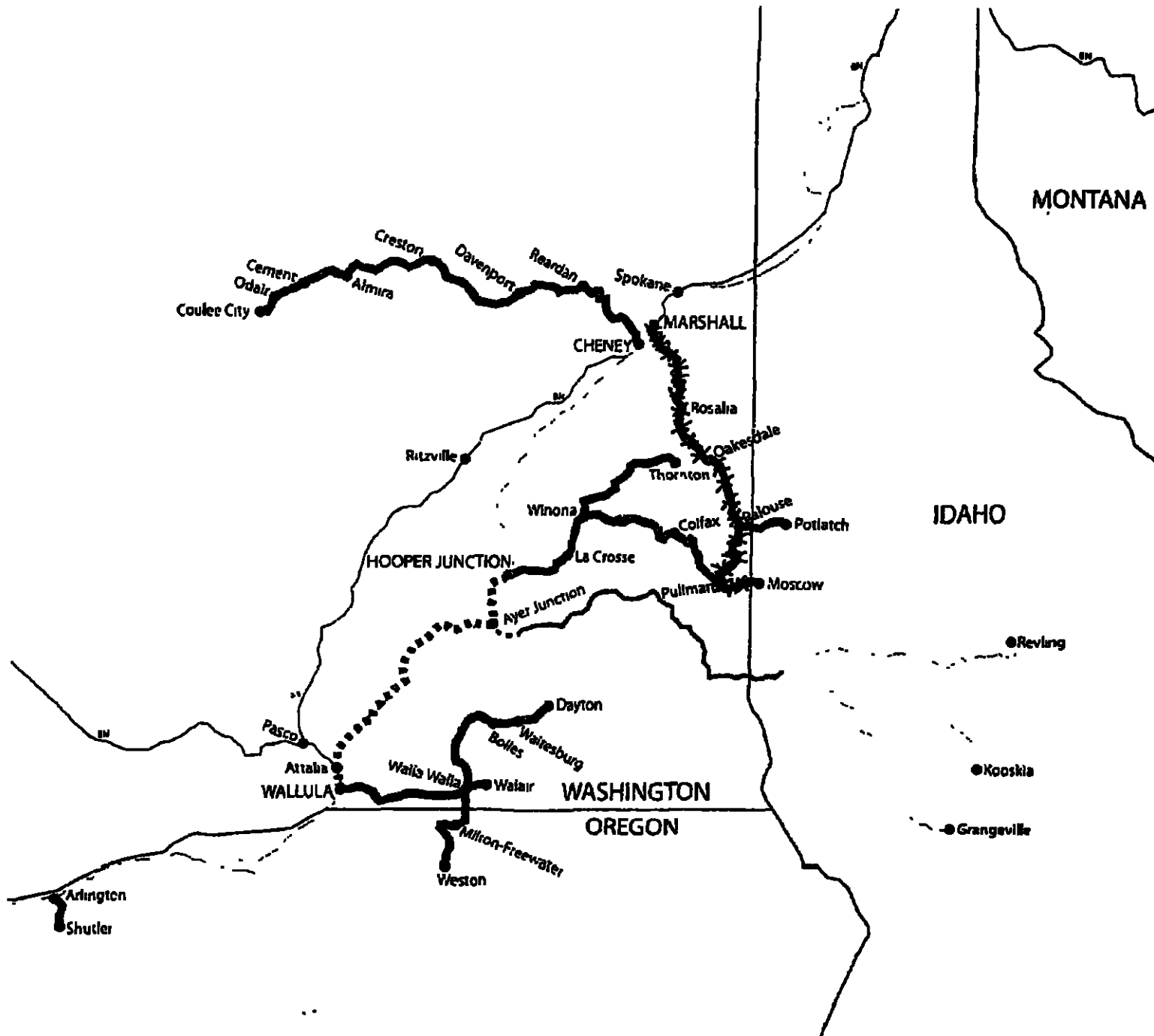
Charles H. Montange
426 NW 162d St.
Seattle, WA 98177
(206) 546-1936

for Washington & Idaho Railway, Inc.

Att(s): Exhibit A -- Map
Exhibit B -- Revenue Certificate
Exhibit C -- Caption Summary
Exhibit D -- Verification

Exhibit A

Map

**LEGEND:**

Palouse River & Coulee City RR (PC)

Palouse River & Coulee City Trackage Rights

Great Northwest RR (GNW)

Great Northwest Trackage Rights

BG & CM Railroad

Interchanges

UP - Hooper Junction, Wallula

BNSF - Cheney, Marshall, Wallula

WIR Lease/Op Rights

Exhibit B

Revenue Certification

I, Stan Patterson, president of Washington & Idaho Railway, Inc., hereby certify that expected annual revenues from this line will be well below the revenue limitations for a Class III railroad.

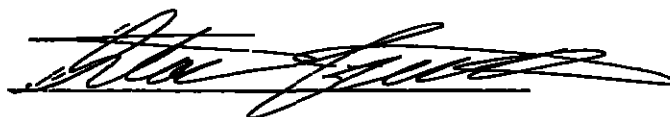
A handwritten signature in dark ink, appearing to read "Stan Patterson", is written over a horizontal line.A faint, handwritten signature or set of initials is visible below the first signature, also appearing to be over a horizontal line.

Exhibit C
Caption Summary
pursuant to
49 C.F.R. § 1150.34

BEFORE THE SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

Washington & Idaho Railway, Inc.
-- operation exemption--
Washington State Department of Transportation

F.D. 35028

Washington & Idaho Railway, Inc. has filed a notice of exemption

(i) to operate, and to provide all freight railroad services over, the P&L Branch in the State of Washington, more particularly described as follows:

(i) The WIM line located between Milepost 0.0, at Palouse, and Milepost 3.85, at the Washington-Idaho state line; and

(ii) the P&L line located between Milepost 1.0, at Marshall to Milepost 75.9 at Pullman, continuing to Milepost 84.05, at the Washington-Idaho state line.

The lines are located in Whitman and Spokane Counties, WA.¹ Comments must be filed with the Board and served on Washington & Idaho Railway's representative: Charles H. Montange, 426 NW 162d St., Seattle, WA 98177, telephone (206) 546-1936; fax (206) 546-3739.

¹ Washington State Department of Transportation is filing a Notice of Exemption to acquire these and other lines from Palouse River and Coulee City Railroad, Inc. in Finance Docket 35024.

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The notice is filed under § 1150.31. If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10505(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

Exhibit C

Verification

I, Stan L. Patterson, declare under penalty of perjury (a) that I am president of Washington & Idaho Railway, Inc., and (b) that the statements contained in the Notice of Exemption of which this Verification is a part are true and correct.



Executed on: May 8, 2007.